

Secretary Kimberly Belshe
Budget Statement
February 20, 2009

We come together at a difficult, indeed unprecedented, time in our state's fiscal history. Never before has California grappled with a state budget deficit this great at a time of national economic crisis so severe.

The budget agreement that Governor Schwarzenegger has signed represents the Governor's and Legislature's effort to find a responsible balance between revenue increases and expenditure reductions to address the state's \$42 billion budget deficit and restore fiscal balance.

Given that Health and Human Services (HHS) represents roughly one-third of the State General Fund, a budget solution would not be possible without expenditure reductions in programs administered by HHS. These reductions total \$1.6 billion, of which approximately \$676 million will be restored if the Treasurer and Director of Finance determine by April 1, 2009, that sufficient funding will be available from the federal economic stimulus package by June 30, 2010 to offset such reductions

By definition, these reductions will impact people in need and will have real consequences.

Some will say the enacted cuts – in HHS, education, transportation, and elsewhere in the budget – go too deep; others will say that more reductions were necessary. Some will say that revenues should have been a bigger part of the solution; others will say that taxes should not be any part of the solution.

Reasonable people can disagree about the difficult choices that were made, but there is one thing upon which there can be no disagreement – action was required by the Governor and Legislature to address the cash crisis that is jeopardizing the delivery of health and human services, and our ability to create jobs and boost our state's economy.

HHS has posted on our website a brief summary of the HHS budget impacts. This document summarizes the following:

First, the budget includes reductions that are not related to the "trigger" provisions:

- 3 percent reduction for Regional Center provider payments;
- \$100 million in additional savings in the Regional Center system;
- Elimination of the county admin cost of living adjustment (COLA);
- Suspension of COLAs for CalWORKS and SSI/SSP recipients; and
- Delays in the Los Angeles LEADER welfare automation project and the child support automation project.

Second, the budget calls for two funding shifts that will require a vote of the people for approval:

- Proposition 10, the California Children and Families Act; and
- Proposition 63, the Mental Health Services Act.

Third, the budget includes “trigger reductions” that will take effect July 1, 2009, if the Treasurer and Director of the Department of Finance (DOF) determine that less than \$10 billion in additional federal funds from the recently enacted federal economic stimulus package are available before June 30, 2010.

While the Treasurer and DOF Director are required to make a formal determination on or before April 1, the preliminary DOF estimates of federal fiscal relief available before June 30, 2010, indicate the “trigger will be pulled”, meaning that the following cuts will take effect July 1, 2009:

- Elimination of ten Medi-Cal optional benefits for adults 21 years of age or older who are not in a nursing facility. Pregnancy-related services and services for the treatment of other conditions that might complicate the pregnancy will continue to be covered;
- 10 percent reduction in certain public hospital reimbursement rates; 4% CalWORKS grant reduction and a 2.3% SSI/P grant reduction; and
- Reduction in the state contribution to In Home Supportive Services (IHSS) provider wages, and
- Elimination of new participants in the IHSS “share of cost” program.

In closing, I would note that “getting to yes” on a budget is hard in the best of circumstances. In an environment of growing need and severely constrained resources, budget agreement is particularly challenging. In such a context, it requires difficult trade-offs and consequential choices. It requires leadership and courage, because there are no perfect budgets and it is harder to say “yes” than “no”. The budget just enacted reflects difficult choices by the Legislature and Governor, choices that will have an impact on low-income Californians, though choices that endeavor to maintain a responsible safety net of services for people in need.